

Message Text

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14

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 CEA-01 FEA-01

OES-06 AGR-05 /101 W

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R 231703Z JUL 76

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 932

AMEMBASSY CARACAS

INFO AMEMBASSY BOGOTA

AMCONSUL GUAYAQUIL

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY SANTIAGO

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E.O. 11652: N/A

TAGS: ECIN, EC

SUBJECT: ECUADOREAN AND VENEZUELAN MINISTERS ISSUE JOINT COMMUNIQUE

CALLING FOR STEPPED-UP COOPERATION WITHIN ANDEAN PACT; GOE

OFFICIAL CLARIFIED ECUADOR'S VIEWS RE PACT

REF: QUITO 5063

1. BEGIN UNCLASSIFIED: DIRECTOR OF INTEGRATION AT MINISTRY
OF INDUSTRIES, COMMERCE AND INTEGRATION (MICEI), MILTON
CEVALLOS, ON JULY 22 CONFIRMED TO E/C COUNSELOR REPORTS
PUBLISHED IN ECUADOREAN PRESS THAT ON JULY 18 THE MINISTER OF
MICEI AND THE VENEZUELAN MINISTER OF DEVELOPMENT HAD SIGNED A
JOINT COMMUNIQUE CALLING FOR STEPPED-UP COOPERATION BETWEEN
THE TWO COUNTRIES WITHIN THE ANDEAN PACT. CEVALLOS CONFIRMED
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THAT THE COMMUNIQUE REAFFIRMS THE TWO COUNTRIES' SUPPORT FOR

ANDEAN INTEGRATION, AND THAT IT CALLS FOR THE FOLLOWING
SPECIFIC STEPS REGARDING VARIOUS SECTORS:

A. AUTOMOTIVE INDUSTRIES - A TECHNICAL WORKING GROUP IS TO
BE ESTABLISHED WITH THE INITIAL OBJECTIVE OF EXCHANGING
INFORMATION ON THE TWO COUNTRIES' PLANS, NEGOTIATIONS AND
ACTIVITIES. THE VENEZUELANS OFFERED TO PROVIDE FULL INFOR-
MATION TO THE WORKING GROUP ON VENEZUELA'S EXPERIENCES RE-
GARDING THE MANUFACTURE OF VEHICLES, AND ON THE PROCESS OF
ANALYZING AND DECIDING UPON BIDS BY FOREIGN AND DOMESTIC
COMPANIES FOR OPERATIONS IN THIS SECTOR.

B. PETROCHEMICALS - A JOINT COMMITTEE IS TO BE ESTABLISHED
TO STUDY POSSIBILITIES FOR INVESTMENT BY VENEZUELANS IN
ECUADOR'S PLANNED PETROCHEMICALS INDUSTRIES AND VICE VERSA.

C. METALWORKING - THE TWO COUNTRIES INITIATED PRELIMINARY
DISCUSSIONS ON POSSIBLE PARTICIPATION BY VENEZUELA IN
ECUADOR'S FLEDGLING METALWORKING INDUSTRIES.

D. ELECTRIC MOTORS AND TRANSFORMERS - THE TWO COUNTRIES
DISCUSSED POSSIBILITIES FOR WORKING OUT COMPLEMENTATION
AGREEMENTS.

E. STEEL - CONTACTS WERE INITIATED BETWEEN THE VENEZUELAN
FIRM SIRURGICA DEL ORINOCO (SIDOR) AND ECUATORIANA DE SIDE-
RURGIA (ECUASIDER), WITH THE OBJECTIVE OF ESTABLISHING WAYS
AND MEANS FOR SIDOR TO HELP ECUASIDER PROCEED WITH ITS PLANS
FOR DEVELOPMENT OF A STEEL MILL. IT WAS AGREED THAT AN
ECUADOREAN DELEGATION WILL VISIT SIDOR'S FACILITIES IN
VENEZUELA LATER IN JULY.

F. COMMENT; SUGAR; FATS AND OILS - ECUADOREAN TECHNICAL
EXPERTS IN THESE FIELDS PROVIDED INFORMATION AND STATISTICS
FOR USE BY VENEZUELAN EXPERTS WHO ARE TO CONSIDER POSSI-
BILITIES FOR PROVIDING TECHNICAL AND FINANCIAL ASSISTANCE TO
ECUADOR.

G. BILATERAL TRADE - THE TWO COUNTRIES EXCHANGED LISTS
OF PRODUCTS OF SPECIAL INTEREST TO EACH OTHER, WITH A VIEW TO
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THE POSSIBLE NEGOTIATION OF A BILATERAL TRADE AGREEMENT.
END UNCLASSIFIED.

2. CEVALLOS ALSO CONFIRMED THAT
AN ECUADOREAN DELEGATION WILL VISIT VENEZUELA ON OR AROUND
OCTOBER 1976 TO FOLLOW UP ON THE DISCUSSIONS JUST COMPLETED
IN QUITO.

3. BEGIN LIMITED OFFICIAL USE: E/C COUNSELOR COMMENTED THAT THE ECUADOREAN PRESS HAD REPORTED ON JULY 19 A STATEMENT BY GOE MINISTER OF MICEL, GALO MONTANO, TO THE EFFECT THAT IN HIS OPINION DECISION 24 IS NOT AN OBSTACLE TO THE INFLOW OF FOREIGN CAPITAL, AS EVIDENCED BY THE FACT, MONTANO REPORTEDLY SAID, THAT NUMEROUS FOREIGN INVESTORS HAVE BEEN ACTIVELY SEEKING TO UNDERTAKE PROJECTS IN THE AUTOMOTIVE AND PETROCHEMICALS SECTORS. THE COUNSELOR ADDED THAT MINISTER MONTANO HAD PREVIOUSLY TOLD HIM THAT THE GOE WOULD BE WILLING TO GO ALONG WITH LIBERALIZATION OF DECISION 24, AND THE COUNSELOR WONDERED WHETHER THE MINISTER'S REMARKS SIGNIFIED ANY CHANGE OF POLICY.

4. CEVALLOS RESPONDED THAT A FIRM DECISION HAS BEEN MADE WITHIN THE GOE TO GO ALONG WITH VIRTUALLY ANY PROPOSAL FOR LIBERALIZATION OF DECISION 24, AND THAT THE GOE WOULD NOT OPPOSE EVEN THE COMPLETE ELIMINATION OF THE 14 PERCENT RESTRICTION ON REPATRIATION OF CAPITAL.

5. CEVALLOS ADDED THAT THE GOE IS LITTLE CONCERNED WITH THE FATE OF DECISION 24 BUT ON THE OTHER HAND IS VERY MUCH CONCERNED ABOUT CHILE'S INSISTENCE ON A LOW COMMON EXTERNAL TARIFF (CXT). CEVALLOS SAID THAT THE GOE SIMPLY COULD NOT ACCEPT CHILE'S PROPOSAL WHICH WOULD PUT THE AVERAGE CXT FOR FLEDGLING INDUSTRIES AT ABOUT 38 PERCENT AD VALOREM. ECUADOR, ALONG WITH THE OTHER MEMBERS OF THE PACT, WILL INSIST ON A CXT AVERAGING SOMEWHERE IN THE 60 PERCENT-70 PERCENT RANGE, AND IS NOT PREPARED TO COMPROMISE ON THIS.

6. CEVALLOS ALSO COMMENTED THAT ECUADOR IS CONVINCED THE PACT CAN CONTINUE ON A VIABLE BASIS WHETHER OR NOT CHILE LEAVES IT. "WE CAN MAKE DO WITH AS FEW AS FOUR MEMBERS, IF NEED BE," CEVALLOS ASSERTED. END LIMITED OFFICIAL USE.
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BLOOMFIELD

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